

MINUTE ITEM

5/27/75
JLS

25. CLARIFICATION OF COMMISSION ACTION RELATIVE TO THE RESUMPTION OF DRILLING OPERATIONS FROM EXISTING FACILITIES ON STATE OIL AND GAS LEASES PRC 3120 AND PRC 3242; SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY - W 9723, PRC 3120, PRC 3242.

After consideration of Calendar Item 23 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. TERMINATES ITS ACTION OF JANUARY 14, 1975, SUSPENDING THE STATE LANDS COMMISSION'S RESOLUTION OF DECEMBER 19, 1974, APPROVING THE RESUMPTION OF DRILLING FROM PLATFORM HOLLY PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASES PRC 3120 AND PRC 3242.
2. REVOKES SPECIFIC DRILLING APPROVALS ISSUED BY THE STATE LANDS DIVISION PURSUANT TO SAID RESOLUTION OF DECEMBER 19, 1974.
3. REDELEGATES AUTHORITY TO THE EXECUTIVE OFFICER TO APPROVE FURTHER DRILLING FROM PLATFORM HOLLY; WHICH AUTHORITY SHALL BE EXERCISED IN ACCORDANCE WITH GOOD OIL FIELD AND GOOD ENVIRONMENTAL PRACTICES IN ORDER TO ACHIEVE MAXIMUM ECONOMIC RECOVERY OF OIL AND GAS AND ENVIRONMENTAL CONTROL; PROVIDED THAT THE COMMISSION HEREBY RESERVES TO ITSELF THE AUTHORITY TO ACT IN ALL MATTERS AFFECTING ANY FUTURE CHANGE IN COMMISSION POLICY WITH REGARD TO SAID DRILLING.
4. RESOLVES THAT PARTS 1 AND 3 OF THE FOREGOING RESOLUTION ARE SUBJECT TO THE UNDERSTANDING THAT ATLANTIC RICHFIELD COMPANY, AS OPERATOR OF SAID LEASES, HAS AGREED TO THE FOLLOWING PROVISIONS AND ARE CONDITIONED THEREON:
 - A. ATLANTIC RICHFIELD COMPANY WILL FURNISH TO THE STATE LANDS COMMISSION A CERTIFICATE OF INSURANCE FROM A RECOGNIZED INSURANCE COMPANY DOING BUSINESS IN CALIFORNIA IN THE SUM OF \$10 MILLION INCLUDING THE STATE AS A NAMED INSURED AND EVIDENCING INSURANCE AGAINST LIABILITY FOR DAMAGES TO THIRD PERSONS ARISING OUT OF ANY AND ALL DRILLING AND PRODUCTION ACTIVITIES ON OR FROM PLATFORM HOLLY--WHICH CERTIFICATE SHALL NOT BE CANCELABLE EXCEPT UPON 30 DAYS NOTICE, AND ATLANTIC RICHFIELD COMPANY SHALL AGREE TO KEEP A CERTIFICATE OF INSURANCE MEETING THE ABOVE REQUIREMENTS IN EFFECT AT ALL TIMES UNTIL ALL DRILLING AND PRODUCTION FROM SAID PLATFORM HOLLY SHALL HAVE TERMINATED AND ALL WELLS ON SAID PLATFORM HAVE BEEN PROPERLY ABANDONED IN THE MANNER REQUIRED BY LAW.

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- B. SHOULD ANY EVENT OCCUR CAUSING A SUBSTANTIAL NUMBER OF CLAIMS FOR DAMAGES TO BE FILED AGAINST THE ATLANTIC RICHFIELD COMPANY AS A RESULT OF OPERATIONS ON OR FROM PLATFORM HOLLY, ATLANTIC RICHFIELD COMPANY SHALL, WITHIN TEN DAYS AFTER SUCH EVENT, CAUSE TO BE OPENED, OR OPEN, A CLAIMS OFFICE WITHIN THE CITY OF SANTA BARBARA STAFFED WITH SUFFICIENT PERSONNEL AND AUTHORITY TO PROCESS ALL CLAIMS AND TO SETTLE ALL UNCONTESTED CLAIMS--BARRING UNUSUAL CIRCUMSTANCES, THE STAFFING OF SAID OFFICE SHALL BE SUFFICIENT TO PROCESS ALL CLAIMS AND SETTLE ALL UNCONTESTED CLAIMS WITHIN 60 DAYS OF THE ESTABLISHMENT OF SAID OFFICE; ALL DRILLING AND PRODUCTION SHALL BE CONDUCTED FROM PLATFORM HOLLY IN ACCORDANCE WITH APPLICABLE LAW, THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION AND THE DIVISION OF OIL AND GAS, AND THE PROCEDURES HERETOFORE ADOPTED BY THE STATE LANDS COMMISSION, AND REFERRED TO OR DESCRIBED IN THE FINAL ENVIRONMENTAL IMPACT REPORT RELATING TO DRILLING OPERATIONS FROM PLATFORM HOLLY ADOPTED BY THE STATE LANDS COMMISSION ON DECEMBER 19, 1974;
- C. ATLANTIC RICHFIELD SHALL IMPLEMENT AND MAINTAIN PROPERLY AND EFFICIENTLY THE OIL-SPILL CONTINGENCY PLAN CONTAINED IN VOLUME III, APPENDIX C, OF SAID ENVIRONMENTAL IMPACT REPORT;
- D. TO FACILITATE THE SETTLEMENT OF CONTESTED CLAIMS BY THIRD PERSONS WITHOUT THE NECESSITY OF LITIGATION, ATLANTIC RICHFIELD WILL AGREE TO MEDIATION PROCEDURES APPROVED BY THE EXECUTIVE OFFICER AFTER CONSULTATION WITH THE OFFICE OF THE ATTORNEY GENERAL.
5. THE EXECUTIVE OFFICER IS HEREBY AUTHORIZED TO EXECUTE A LETTER OF UNDERSTANDING PRESERVING THE LEGAL RIGHTS OF THE STATE LANDS COMMISSION AND ATLANTIC RICHFIELD COMPANY IN THE FORM PRESENTLY CONTAINED IN STATE LANDS DIVISION FILE W 9723.
6. THE EXECUTIVE OFFICER IS INSTRUCTED TO REPORT TO THE STATE LANDS COMMISSION IN THE EVENT HE DETERMINES THAT GAS INJECTION RATES FROM PLATFORM HOLLY ARE AT OR IN EXCESS OF 4,500 MCF PER DAY, AND PENDING A FULL HEARING BY THE STATE LANDS COMMISSION, THE EXECUTIVE OFFICER SHALL LIMIT SUCH INJECTION AS INSTRUCTED BY THE STATE LANDS COMMISSION AT A MEETING HELD AT THE EARLIEST PRACTICABLE DATE AFTER SUCH DETERMINATION.

Attachment:
Calendar Item 23 (2 pages)

CALENDAR ITEM

5/75
JLS
W 9723

23.

RESUMPTION OF DRILLING OPERATIONS FROM EXISTING
FACILITIES ON STATE OIL AND GAS LEASES PRC 3120
AND PRC 3242; SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY

In order to reflect and clarify the action of the State Lands Commission on April 30, 1975, with regard to drilling on Platform Holly by the Atlantic Richfield Company, it is recommended that the Commission adopt the following resolution:

1. TERMINATES ITS ACTION OF JANUARY 14, 1975, SUSPENDING THE STATE LANDS COMMISSION'S RESOLUTION OF DECEMBER 19, 1974, APPROVING THE RESUMPTION OF DRILLING FROM PLATFORM HOLLY PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASES PRC 3120 AND PRC 3242.
2. REVOKES SPECIFIC DRILLING APPROVALS ISSUED BY THE STATE LANDS DIVISION PURSUANT TO SAID RESOLUTION OF DECEMBER 19, 1974.
3. REDELEGATES AUTHORITY TO THE EXECUTIVE OFFICER TO APPROVE FURTHER DRILLING FROM PLATFORM HOLLY; WHICH AUTHORITY SHALL BE EXERCISED IN ACCORDANCE WITH GOOD OIL FIELD AND GOOD ENVIRONMENTAL PRACTICES IN ORDER TO ACHIEVE MAXIMUM ECONOMIC RECOVERY OF OIL AND GAS AND ENVIRONMENTAL CONTROL; PROVIDED THAT THE COMMISSION HEREBY RESERVES TO ITSELF THE AUTHORITY TO ACT IN ALL MATTERS AFFECTING ANY FUTURE CHANGE IN COMMISSION POLICY WITH REGARD TO SAID DRILLING.
4. RESOLVES THAT PARTS 1 AND 3 OF THE FOREGOING RESOLUTION ARE SUBJECT TO THE UNDERSTANDING THAT ATLANTIC RICHFIELD COMPANY, AS OPERATOR OF SAID LEASES, HAS AGREED TO THE FOLLOWING PROVISIONS AND ARE CONDITIONED THEREON:
 - A. ATLANTIC RICHFIELD COMPANY WILL FURNISH TO THE STATE LANDS COMMISSION A CERTIFICATE OF INSURANCE FROM A RECOGNIZED INSURANCE COMPANY DOING BUSINESS IN CALIFORNIA IN THE SUM OF \$10 MILLION INCLUDING THE STATE AS A NAMED INSURED AND EVIDENCING INSURANCE AGAINST LIABILITY FOR DAMAGES TO THIRD PERSONS ARISING OUT OF ANY AND ALL DRILLING AND PRODUCTION ACTIVITIES ON OR FROM PLATFORM HOLLY--WHICH CERTIFICATE SHALL NOT BE CANCELABLE EXCEPT UPON 30 DAYS NOTICE, AND ATLANTIC RICHFIELD COMPANY SHALL AGREE TO KEEP A CERTIFICATE OF INSURANCE MEETING THE ABOVE REQUIREMENTS IN EFFECT AT ALL TIMES UNTIL ALL DRILLING AND PRODUCTION FROM SAID PLATFORM HOLLY SHALL HAVE TERMINATED AND ALL WELLS ON SAID PLATFORM HAVE BEEN PROPERLY ABANDONED IN THE MANNER REQUIRED BY LAW;

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- B. SHOULD ANY EVENT OCCUR CAUSING A SUBSTANTIAL NUMBER OF CLAIMS FOR DAMAGES TO BE FILED AGAINST THE ATLANTIC RICHFIELD COMPANY AS A RESULT OF OPERATIONS ON OR FROM PLATFORM HOLLY, ATLANTIC RICHFIELD COMPANY SHALL, WITHIN TEN DAYS AFTER SUCH EVENT, CAUSE TO BE OPENED, OR OPEN, A CLAIMS OFFICE WITHIN THE CITY OF SANTA BARBARA STAFFED WITH SUFFICIENT PERSONNEL AND AUTHORITY TO PROCESS ALL CLAIMS AND TO SETTLE ALL UNCONTESTED CLAIMS--BARRING UNUSUAL CIRCUMSTANCES, THE STAFFING OF SAID OFFICE SHALL BE SUFFICIENT TO PROCESS ALL CLAIMS AND SETTLE ALL UNCONTESTED CLAIMS WITHIN 60 DAYS OF THE ESTABLISHMENT OF SAID OFFICE; ALL DRILLING AND PRODUCTION SHALL BE CONDUCTED FROM PLATFORM HOLLY IN ACCORDANCE WITH APPLICABLE LAW, THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION AND THE DIVISION OF OIL AND GAS, AND THE PROCEDURES HERETOFORE ADOPTED BY THE STATE LANDS COMMISSION, AND REFERRED TO OR DESCRIBED IN THE FINAL ENVIRONMENTAL IMPACT REPORT RELATING TO DRILLING OPERATIONS FROM PLATFORM HOLLY ADOPTED BY THE STATE LANDS COMMISSION ON DECEMBER 19, 1974;
- C. ATLANTIC RICHFIELD SHALL IMPLEMENT AND MAINTAIN PROPERLY AND EFFICIENTLY THE OIL-SPILL CONTINGENCY PLAN CONTAINED IN VOLUME III, APPENDIX C, OF SAID ENVIRONMENTAL IMPACT REPORT;
- D. TO FACILITATE THE SETTLEMENT OF CONTESTED CLAIMS BY THIRD PERSONS WITHOUT THE NECESSITY OF LITIGATION, ATLANTIC RICHFIELD WILL AGREE TO MEDIATION PROCEDURES APPROVED BY THE EXECUTIVE OFFICER AFTER CONSULTATION WITH THE OFFICE OF THE ATTORNEY GENERAL.
5. THE EXECUTIVE OFFICER IS HEREBY AUTHORIZED TO EXECUTE A LETTER OF UNDERSTANDING PRESERVING THE LEGAL RIGHTS OF THE STATE LANDS COMMISSION AND ATLANTIC RICHFIELD COMPANY IN THE FORM PRESENTLY CONTAINED IN STATE LANDS DIVISION FILE W 9723.
6. THE EXECUTIVE OFFICER IS INSTRUCTED TO REPORT TO THE STATE LANDS COMMISSION IN THE EVENT HE DETERMINES THAT GAS INJECTION RATES FROM PLATFORM HOLLY ARE AT OR IN EXCESS OF 4,500 MCF PER DAY, AND PENDING A FULL HEARING BY THE STATE LANDS COMMISSION, THE EXECUTIVE OFFICER SHALL LIMIT SUCH INJECTION AS INSTRUCTED BY THE STATE LANDS COMMISSION AT A MEETING HELD AT THE EARLIEST PRACTICABLE DATE AFTER SUCH DETERMINATION.